

MEMO TO: City Council

FROM: Rosemarie Ives, Mayor

DATE: September 5, 2006

SUBJECT: **APPROVAL OF SPRING 2006 HOUSING TRUST FUND
ALLOCATION OF \$110,000 FOR ARCH (A REGIONAL
COALITION FOR HOUSING)**

I. RECOMMENDED ACTION

Approve the allocation of \$110,000 from the General Government CIP, which was allocated for affordable housing in the 2005-2006 Budget. These funds are for the Spring 2006 Housing Trust fund allocation for ARCH and will be used for housing special needs individuals and down payment assistance to eligible home buyers in Redmond and elsewhere on the Eastside, as recommended by the ARCH Executive Board.

II. DEPARTMENT CONTACT PERSONS

Rob Odle, Planning Director, 425-556-2417

Lori Peckol, Policy Planning Manager, 425-556-2411

Sarah Stiteler, Senior Planner, 425-556-2469

III. DESCRIPTION/BACKGROUND

Source of Funds

As part of the 2005-06 budget cycle, the City Council allocated a total of \$300,000 from the General Government CIP in support of affordable housing. In February 2005, the City Council authorized \$150,000 of these funds to be used for the acquisition and development of a 50-unit permanent and transitional housing development in Issaquah by the Downtown Action to Save Housing (DASH). Due to cost savings and budget modifications, DASH required only \$109,813 of these dollars for the project, leaving an unused balance of \$40,187. In February 2006, a funding request to reallocate \$40,000 of these unspent funds was approved by the City Council. The reallocated amount of \$40,000 was for the Mine Hill development, a 28-unit Section 8 project in Issaquah, by the Saint Andrews Housing Group. The remaining balance in the 2005-06 budget for affordable housing is \$150,187.

Specific Funding Requests

During the Spring 2006 Housing Trust Fund cycle, ARCH (A Regional Coalition for Housing) received applications for funding three affordable projects on the Eastside. The ARCH Executive Board has recommended two of these projects, for a total amount of \$450,000 dollars. (The third project was not recommended for funding at this time.)

The City of Redmond has been requested to contribute \$110,000 for these projects: \$75,000 to assist in the funding of special needs housing for developmentally disabled adults, which will be located in Redmond. The other request for \$35,000 will be used to support the continuation of the House Key Plus/ARCH program, which provides assistance to potential homebuyers with household incomes of 80% or less of the King County median. The ARCH Housing Trust Fund (HTF) combines funds from all member cities to support affordable housing projects that benefit the Eastside.

Recommended Projects

Descriptions of both projects and recommended conditions of funding are found in the Attachment A. The following summarizes the projects recommended for funding by Redmond:

1. Community Homes

The ARCH Executive Board has recommended that the City of Redmond contribute \$75,000 towards this project.

Community Homes proposes to buy two existing residences in Redmond, in order to establish its fifth and sixth Adult Family Homes to serve 10 (5 each home) developmentally disabled adults with incomes at or below 30% of the King County median. Two resident managers (a married couple) would be trained as managers and live-in caretakers in each home.

All of the clients are adults. Each has some form of mild to moderate development disability, which would prevent them from being able to live independently without some form of assistance. However, each is capable of holding a job, and most are able to use public transportation and take care of their personal hygiene and laundry. The adult family home environment allows them to develop better social skills and to learn other life skills for greater independence.

Community Homes is working towards its goal of having eight total homes: four in Bellevue and four in Redmond. They currently have three homes in Bellevue and one in Redmond. Homes purchased by this agency are selected based upon their suitability of floor plans for ease of remodeling to accommodate clients and resident managers while still maintaining a single-family character.

Funds have been requested from the following cities in support of the Community Homes proposal:

Bellevue	\$97,500
Redmond	\$75,000
Kirkland	\$35,000
Mercer Island	\$10,000
Newcastle	\$10,000
Clyde Hill	\$10,000
Medina	\$10,000
Hunts Point	<u>\$ 2,500</u>
	\$250,000

The funds will be in the form of a secured grant with no repayment, so long as affordability and target population are maintained. Community Homes also has a contract with the Department of Social and Health Services (DSHS) for funds necessary to provide services to this population.

2. House Key Plus /ARCH

The ARCH Executive Board is recommending that the City of Redmond contribute \$35,000 towards this project.

The House Key Plus ARCH/Eastside Homebuyer Assistance Program is a continuation of a program launched in September 2005. It is in the form of a revolving loan pool that provides down payment assistance for potential homebuyers earning 80% or less of median income in East King County. Eligible homebuyers are first-time purchasers, or people who have not owned a home during the past three years, and the home must be the buyer's principal residence.

The down payment assistance provides second mortgages of up to \$30,000 per home, which can be used for down payment and closing costs. The second mortgages have a deferred 4% interest rate, with no monthly payments. Balance is due when the owners sell, refinance or pay off the first mortgage. When the second mortgages are paid, the funds return to the revolving loan pool to fund new second mortgages on additional homeownership units. There are no resale restrictions for homes that are purchased unless homes already have resale restrictions.

Funds have been requested from the following cities in support of the House Key Plus/ARCH proposal:

Bellevue	\$75,000
Redmond	\$35,000
Kirkland	\$35,000
Kenmore	\$25,000
Newcastle	\$10,000
Mercer Island	\$10,000
Woodinville	\$ 5,000
Issaquah	<u>\$ 5,000</u>
	\$200,000

The program is administered by the Washington State Housing Finance Commission. The initial capitalization of the program last fall included ARCH, King County and State Housing Finance funds that were estimated to provide about 32 loans. The current proposal for recapitalization would provide additional funds to finance approximately another 48 homes

IV. IMPACT

A. **Service Delivery:** Allocation of funds to support the two projects that have been recommended by the ARCH Executive Board will help fund a variety of affordable housing needs in Redmond and the Eastside.

1. For the Community Homes proposal, allocation of funds will help purchase two existing homes in Redmond.

The ARCH Executive Board supported this application for these reasons:

- Serves a special needs population.
- Provides long-term affordability to special needs clientele.
- Builds on a model that creates opportunities throughout East King County.
- Provides homes convenient to employment, shopping and transit in the Redmond area.

2. The House Key Plus program is requesting addition capitalization to an established down payment assistance program in order to provide funds to income eligible first-time homebuyers on the Eastside.

The ARCH Executive Board supported this request for these reasons:

- Would fill a housing need not currently met in East King County, but identified by the community as an important issue.
- Makes homeownership a viable option for households who would otherwise not have the resources to purchase a home.
- Could potentially be expanded to include other funding resources.
- Provides a strong leverage of other public funding.

B. Fiscal: As part of the 2005-2006 Budget cycle, the City Council allocated a total of \$300,000 (\$200,000 for 2005 and \$100,000 for 2006) in the General Government CIP for affordable housing. Of these funds, \$149,813 has been allocated, with a balance of \$150,187 remaining in the Housing Trust Fund.

V. ALTERNATIVES

A. Approve the allocation as recommended by the ARCH Executive Board.

Approval of the projects recommended by the ARCH Executive Board will help implement plans to provide additional affordable housing in the City of Redmond and greater Eastside. With the proposal by Community Homes, Inc., additional housing for ten developmentally disabled adults in Redmond will be funded. The funds allocated for the down payment assistance loan program will enable 48 income-eligible households to purchase housing in Redmond and in other Eastside communities.

B. Decline to participate in the funding of these projects through the ARCH 2006 Spring Housing Trust Fund Cycle. Without the assistance of the City of Redmond, Community Homes, Inc. will not have sufficient funds to purchase homes to serve its special needs population, and would need to seek funding elsewhere to purchase suitable property. If the allocation of Housing Trust Fund (HTF) dollars for the loan program is not made, persons in need of financial assistance to purchase a home will not be served.

C. Use another source to fund the ARCH request.

VI. TIME CONSTRAINTS

Community Homes, Inc would like to begin the process of looking for an appropriate home for its client population as soon as the funds become available. The loan funds will be available for home purchasers when HTF funds have been allocated.

City Council

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(A REGIONAL COALITION FOR HOUSING)

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VII. LIST OF EXHIBITS

Attachment A: June 9, 2006 ARCH Executive Board Memorandum with Project
Summaries

Attachment B: Summary of Projects Receiving City of Redmond Financial Assistance

/s/

Robert G. Odle, Planning Director

8/21/06

Date

Approved for Council Agenda: /s/

Rosemarie M. Ives, Mayor

8/21/06

Date

ATTACHMENT A

TO: City of Bellevue Council Members
City of Redmond Council Members
City of Kirkland Council Members
City of Mercer Island Council Members
City of Kenmore Council Members
City of Newcastle Council Members
City of Issaquah Council Members
City of Woodinville Council Members
City of Clyde Hill Council Members
City of Medina Council Members
Town of Hunt's Point Council Members

FROM: Ben Yazici, Chair and ARCH Executive Board

DATE: June 9, 2006

RE: Spring 2006 Housing Trust Fund (HTF) Recommendation

The ARCH Executive Board has completed its review of two of the three applications applicable to the spring funding round of the 2006 Housing Trust Fund (the 3rd application was withdrawn and may be resubmitted later). The recommendations total \$450,000 of local funding from eleven cities (see attached chart). The actual amount will depend on final action by the City Councils.

Following are summaries of the projects, our recommendations and rationale, and recommended contract conditions. Also enclosed are economic summaries for the projects, an evaluation matrix for each, a leveraging chart, a project summary table, and a summary of funded projects to date.

1. Community Homes Inc. (CHI)-Adult Family Homes 5 and 6

Funding Request: \$250,000 (Secured Grant)

Executive Board Recommendation: \$ 250,000 (Secured Grant), see attached funding chart for cities' funding distribution

Project Summary:

The applicant proposes to buy two existing residences in Redmond, in order to establish their fifth and sixth Adult Family Homes, to serve 10 (5 each home) developmentally disabled adults who are at or below 30% of median income. The finished residences would each have five bedrooms and two baths. The common area for each would include a kitchenette, dining area and laundry. Two resident managers (a married couple), would be trained as managers and would be live in caretakers in each home.

All of the clients are adults. Each has some form of mild to moderate development disability which would prevent them from being able to live independent without some form of assistance. However, each is capable of holding a job. Most are able to use public transportation to get to

and from work. They also take care of their own personal hygiene, medications, do laundry, housekeeping and handle other personal matters. They interact with each other on an individual and group basis. The adult family home environment allows them to develop better social skills, and to interrelate better with non-relatives. They also learn to depend upon themselves more than they would at home. One of the homes will be adult men. It has not been decided yet about the other home.

The on-site services would include meals and medical assistance and life skills instruction. Off-site services include recreational outings, doctors appointments, and transportation support.

Community Homes is working towards their goal of having 8 total homes. Their plan would be to have 4 homes in Bellevue and 4 homes in Redmond. They currently have 3 homes in Bellevue and 1 home in Redmond. If this application is approved, they would need 1 more home in Bellevue and 1 more home in Redmond.

Funding Rationale:

The Executive Board supported this application for the following reasons:

- Serves a special needs population
- Long term affordability to special needs clientele
- Builds on a model that creates opportunities throughout East King County
- The homes would be convenient to employment, shopping and transit in the Redmond area.

Conditions:

1. Funds shall be used by Community Homes Incorporated (Agency) toward the acquisition costs of the project. The funds shall be split between the two homes in the project (\$125,000 per home). Funds may not be used for any other purpose unless city staff has given written authorization for the alternate use. If there are any savings realized in the final development costs, the Agency shall consult with public funders to determine if these funds should remain in the project as reserves or be returned.
2. The funding commitment shall continue for twelve (12) months from the date of Council approval and shall expire thereafter if all conditions are not satisfied. An extension may be requested to City staff no later than sixty (60) days prior to the expiration date. City staff will consider an extension only on the basis of documented, meaningful progress in bringing the project to readiness or completion.
3. Funds will be in the form of a secured grant with no repayment, so long as affordability and target population is maintained, and the service/care providers have a contract with DSHS for funds necessary to provide services to this population.
4. For each home, a covenant is recorded ensuring affordability for five (5) beds of special needs single family housing for five individuals with light to moderate developmental disabilities, for at least fifty (50) years. The beds shall be affordable to tenants at the time of

occupancy with incomes at or below 30% of median income, adjusted for household size, and including an appropriate utility allowance.

5. The Agency shall submit evidence of funding commitments from all proposed public sources. In the event commitment of funds identified in the application cannot be secured in the time frame identified in the application, the Agency shall immediately notify city staff, and describe the actions it will undertake to secure alternative funding and the timing of those actions subject to city staff's review and approval. Once all commitments are received for the first home, the Agency may proceed with the first home, prior to receiving commitments on the second home.
6. The Agency shall provide revised development and operating budgets based upon actual funding commitments, which must be approved by city staff. If the Agency is unable to adhere to the budgets, city staff must be immediately notified and a new budget(s) shall be submitted by the Agency for the City's approval. The City shall not unreasonably withhold its approval to a revised budget(s), so long as such new budget(s) does not materially adversely change the Project. This shall be a continuing obligation of the Agency. Failure to adhere to the budgets, either original or as amended, may result in withdrawal of the City's commitment of funds.
7. If there is excess net cash flow generated by the project after payment of the expenses established in the operating budget, it may be used for any Agency expenses.
8. The Agency shall only purchase unoccupied homes or owner occupied homes in order to not trigger local and federal relocation regulations.
9. The applicant shall conduct their search for the home as specified in their application and allow the City to provide the Agency with input into candidate home evaluation. At least 3 days prior to the time the Agency's offer to buy the home becomes non-refundable, in whole or in part, the applicant will provide to City Staff: the address of the home, whether a neighborhood association (or similar agency) exists in the (selected) neighborhood, and what efforts the applicant will make to inform the neighborhood or neighborhood association of their program.
10. For each home, and prior to acquisition, the Agency shall submit an appraisal by a qualified appraiser. The appraisal shall be equal to or greater than the purchase price.
11. Once each home is selected the Agency shall include City Staff in the inspection of the property and development of the final scope of work for the rehab. The final scope of work for the basic construction budget shall include, at a minimum, all work necessary for licensing of the home and correction of substandard health and safety conditions. Prior to start of construction, the Agency shall submit the final scope of work for City Staff approval, along with evidence that construction costs have been confirmed by a qualified contractor and are within the basic construction budget. Unless the Agency uses private resources, prior to completing any other rehab work, the Agency and City must agree that the rehab scope of work should be increased to include items related to cost effective energy efficiencies, or features of the home that have substantially outlived their useful life cycle and should be replaced.

12. The Agency shall maintain documentation of any necessary land use approvals and permits required by the City.
13. The Agency shall submit a property management plan. At a minimum, the plan must address: tenant selection procedures, management procedures to address tenant needs, services provided for or required of tenants, and a short and long term strategy for covering operating expenses. It shall also include a summary of ARCH's affordability requirements as well as annual monitoring procedure requirements, the Agency's siting criteria for home selection, and include the community and neighbor relations policy submitted with the application. The management plan must be submitted for review and approval by city staff.
14. In the event that support services funding levels will be reduced, the Agency shall inform City Staff about the impacts the proposed reduction will have on the budget and plan for services to the DD clients, and what steps shall be taken to address the impacts. A new budget or services plan must be approved by the City.
15. If CDBG funds are used, comply with all applicable federal rules and procedures.
16. Submit monitoring reports quarterly through completion of the project, and annually thereafter. Submit a final budget upon project completion.

2. A Regional Coalition for Housing (ARCH) –House Key Plus ARCH (down payment assistance)

Funding Request: \$200,000 (Revolving Loan Pool)

Executive Board Recommendation: \$200,000 (Revolving Loan Pool), see attached funding chart for cities' funding distribution.

Project Summary:

The House Key Plus ARCH/Eastside Homebuyer Assistance Program is a continuation of a program launched in September of 2005, to provide a program of down-payment assistance for potential homebuyers who are up to 80% of median income in East King County. Its main components are:

Eligible Homebuyers

- o First time homebuyer (has not owned a home during the past 3 yrs)
- o Household Income at or below 80% of median income
- o Household must have a demonstrated need for down payment assistance
- o Home will be the buyers principal residence

Down Payment Assistance Terms

Downpayment assistance provides second mortgages of up to \$30,000 per home. Actual amount based on need and availability of funds. Funds are used for down payment, closing costs, and pre-pays. The second mortgages have a deferred 4% interest rate. There are no monthly payments on the second mortgage. Balance is due when the

owners sells, refinances or pays off the first mortgage. When the second mortgages are repaid, the funds return to the revolving loan pool, to fund new second mortgages on homeownership units. There are no resale restriction for homes that are purchased, unless homes already have resale restrictions.

Marketing / Education:

Marketing is targeted to households working or living in East King County through locally distributed fliers, information distributed through City web-sites and newsletters, contacting residents of affordable rental housing and manufactured housing. All homebuyers must take a general home ownership education program and a counseling session regarding the Down payment assistance program.

The program is administered by the Washington State Housing Finance Commission. The program is mated with the Commission's House Key First Mortgage Program. In operating the program, the Commission uses it existing community of lenders and its current marketing and outreach strategies. All first mortgages will be issued under the House Key program.

The initial capitalization included ARCH, County and State Housing Finance Program funds, totaling \$840,000, which was estimated to provide about 32 loans. The proposed recapitalization by ARCH, County, State Housing Finance Commission and DCTED (State) would add another \$1.2 million, estimated to finance another approx. 48 homes.

Funding Rationale:

The Executive Board supported this application for the following reasons:

- Would fill a housing need not currently met in East King County, but identified by the community as an important issue.
- Makes homeownership a viable option for households who would otherwise not have the resources to purchase a home.
- Could potentially be expanded to include other funding resources.
- Strong leverage of other public funding.

Conditions:

1. Funds shall be used by A Regional Coalition for Housing for down payment assistance, made available through the existing 'House Key plus ARCH' program, administered by the Washington State Housing Finance Commission. Funds may not be used for any other purpose unless City Staff have given written authorization for the alternate use.

2. Provide annual monitoring reports, that includes: the number of households receiving down-payment assistance during the year, the jurisdictions homes were purchased within, the amount of down-payment assistance issued during the year, and the amount of education funds used during the year. The annual report shall include the total of repayments to the revolving loan fund during the year.

3. Within 18 months or when funds have been expended, whichever occurs earlier, evaluate the House Key plus ARCH pilot program to determine if any changes should be made to increase its use or effectiveness and/or if funding of the program should be continued.

ATTACHMENT B

SUMMARY OF ALL AFFORDABLE HOUSING UNITS LOCATED IN REDMOND (THROUGH JUNE 2006)

HOUSING TYPE	PROJECT NAME	ADDRESS	MANAGEMENT TYPE (OR OWNER)	ARCH \$\$ FROM OTHER CITIES	REDMOND FUNDS TO ARCH		TOTAL UNITS IN DEV.	AFFORDABLE UNITS IN DEVELOPMENT				
					HTF (CIP)	CDBG		<30% Median	<50% Median	<60% Median	<80% Median	<90% Median
SENIOR/SPECIAL NEEDS RENTAL HOUSING	Emerald Heights	10901 176 th Circle NE	Privately managed Non-HUD Assisted				363				38	
	Emma McRedmond Manor	7960 – 169 th Ave NE	Privately managed HUD Assisted				32		32			
	Patricia Harris Manor	16307 NE 81 st Street	Privately managed HUD Assisted				40		40			
	Forest Glen	8610 – 164 th Avenue NE	KC Housing Authority HUD Assisted				40		40			
	Community Homes Inc. – 4	Overlake N’hood (TBD)	Community Homes Inc.	\$25,000		\$50,000	5	5				
	Pine Villa (Stillwater)	Not available	Eastside Mental Health	\$164,485		\$23,303	19				19	
	Fairwinds (Leisure Care)	9988 Avondale Road NE	Privately managed Senior housing				143		23			
FAMILY/INDIVIDUAL RENTAL HOUSING	Heritage Woods	16518 NE 91 st Street	Privately managed Non-HUD Assisted				60				59	
	Terrace Hills	8704 – 164 th Ave NE	Privately managed Non-HUD Assisted	\$375,647	\$66,353		18				18	
	Westwood Square	10027 NE 138 th Place	Privately managed HUD Assisted				70				14	
	Willowmoor Manor	15825 Leary Way	Privately managed HUD Assisted				80				16	
	Avondale Manor	17107 NE 80 th Street	KC Housing Authority HUD Assisted				20		20			
	Forest Grove	8350 – 167 th Ave NE	KC Housing Authority HUD Assisted				25		25			
	Village at Overlake Station (TOD)	2630 152 ND Ave NE	KC Housing Authority HUD Assisted	\$72,000	\$1,573,375		308			308		
	Parkway Apartments	3970 West Lake Sammamish Parkway	KC Housing Authority HUD Assisted		\$100,000		41		41			

HOUSING TYPE	PROJECT NAME	ADDRESS	MANAGEMENT TYPE (OR OWNER)	ARCH \$\$ FROM OTHER CITIES	REDMOND FUNDS TO ARCH		TOTAL UNITS IN DEV.	AFFORDABLE UNITS IN DEVELOPMENT				
					HTF (CIP)	CDBG		<30% Median	<50% Median	<60% Median	<80% Median	<90% Median
TRANSITIONAL HOUSING	YWCA Family Village	16601 NE 80 th Street	YWCA				20	20				
	EHA Avondale Park Acquisition & Rehab	9551 Avondale Rd NE	Eastside Housing Association (EHA)		\$280,000		16 ¹	16 ¹				
	EHA Avondale Park Redevelopment	9551 Avondale Rd NE	Eastside Housing Association (EHA)	\$902,436	\$332,017	\$292,309	61	61				
	Dixie Price	9451 Avondale Rd NE	Hopelink			\$71,750	4	4				
INCLUSIONARY UNITS	Ashford Park ²	178** NE 93 rd Way	Private Ownership Condominiums				N/A					6
	Essex Park ³	109** Avondale Rd. NE	Private Ownership Condominiums				N/A				6	
	Meadows at Marymoor ⁴	46** 168 th Ct. NE	Private Ownership Condominiums				33					4
	Conover Commons ⁵	104** 132 nd Avenue NE	Private Ownership Cottage Housing				24		1			
	Avalon/Park Square Apartments	16075/16080 NE 85 th St.	Rental Units				124					9
	Frazer Court Apartments	16275 NE 85 th Street	Condominium conversion				59					6
	Redmond 44	NE 79 th Street	Private Ownership Condominiums				60					6
	Cleveland Street Condos ⁶	Under Construction	Private Ownership Condominiums				84				4	4
	Park Place	7805 170 th Pl.	Private Ownership Condominiums				66				7	
	TOD Trammel Crow Residential	NE 83 rd Street Downtown P & R	Not determined				Not det.				Approx 40 (not det.)	
	Indigo (Hanson Plat)	12931 NE 126 th Pl	Private Ownership SF attached				24		1			
	Redmond Townhomes (Intracorp)	NW intersection of Redmond Way and Willows Road	Private Ownership				94				9 (3 handicap accessible)	
	Redmond Court (Urbane Redmond)	160__ NE 83 rd Street	Private Ownership				22				2	

¹ These units are not included in the total unit count because of redevelopment

² Ashford Park covenant duration 30 years to 2025. Units are set-aside for households earning 85% or less of KC Median Income

³ Essex Park covenant duration 15 years to 2007

⁴ Meadows at Marymoor covenant duration 30 years to 2028 with provision that City receives net surplus from first sale after covenant expires. Units are set-aside for households earning 85% or less of KC Median Income

⁵ Project under construction (March 2004). Affordable unit to be built as part of Phase II.

⁶ With this development, the City crossed the threshold for affordable housing downtown, requiring 10% of all future units built downtown to be affordable to households earning 80% or less of KC Median Income

	Portula'ca	8039 165 th Ave NE	Private Ownership				24				2	
OWNERSHIP UNITS	Avon Villa Mobile Home Park	11434 Avondale Rd NE	Manufactured Housing Community Preservationists (MHCP)	\$150,000	\$376,000 ⁷		93		38		38	
	Paterson Park (Coast Guard)	9551 Avondale Rd NE	Habitat for Humanity		\$195,344	\$216,683	24		24			
	Dollar Condo	8839 – 166 th Ave NE Unit C-104	Union Hill Alliance Church		\$400		1		1			
TOTAL – AFFORDABLE UNITS LOCATED IN THE CITY OF REDMOND – 907 UNITS				\$1,668,568	\$2,923,489	\$654,045	1704	90	286	308	272	35

⁷ Includes \$327,000 paid by City for LID (Avondale Sewer Assessment)